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STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

JAY B. RISING
STATE TREASURER

TO: Participating Schools and Lenders

FROM: Diane Todd Sprague, Director

DATE: December 21, 2005

SUBJECT: Educational Loan Notes

Happy Holidays from MGA



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FORM 1098-T REPORTING FOR SCHOOLS

This is a reminder to schools that they are required to report to the IRS by February 28, 2006, (or by March 31, 2006, if filing electronically) financial transactions for each student enrolled. Schools with more than 250 students must file electronically. ***This reporting must include a statement to the student by January 31, 2006.*** Schools must report such items as qualified educational expenses (tuition, fees, etc.), scholarships, and adjustments on Form 1098-T. A copy of Form 1098-T may be accessed at <http://www.irs.gov/pub/irs-pdf/f1098t.pdf>.

Eligible educational institutions must file for each enrolled student and for whomever a reportable transaction is made. In addition, reimbursement or refunds of qualified tuition and related expenses must be reported. The 2005 IRS General Instructions for Forms 1099, 1098, 5498, and W-2G include information about items that should be noted:

- Magnetic media and electronic reporting requirements
- Penalties
- Who must file (middleman/servicer)
- When and where to file
- Taxpayer identification numbers
- Statements to recipients
- Corrected and void returns
- Other general topics

Schools are **not** required to file Form 1098-T or furnish a statement for:

- Courses for which no academic credit is offered, even if the student is otherwise enrolled in a degree program;
- Non-resident alien students, unless requested by the student;
- Students whose qualified tuition and related expenses are entirely waived or paid entirely with scholarships; and
- Students whose qualified tuition and related expenses are covered by a formal billing arrangement between an

institution and the student's employer or a governmental entity such as the Department of Veterans Affairs or the Department of Defense.

Schools should note that penalties may be imposed for failure to file or failure to furnish correct 1098-T forms. These penalties may be waived, however, under certain circumstances. Please see the 2005 General Instructions for Forms 1098-T for more information.

Instructions and additional information regarding Form 1098-T are available on the IRS Web site at: <http://www.irs.gov/instructions/i1098et/ar02.html#d0e197>. For questions regarding Form 1098-T schools should contact Nancy Vaughn at 1-800-642-5626, extension 31871, or via email at vaughnn@michigan.gov.

ED RELEASES TAX LINE REFERENCE GUIDE

In October, the U.S. Department of Education (ED) sent quantities of the redesigned 2006-07 *FAFSA on the Web Worksheet*. When the *Worksheet* was printed it did not include some 2005 tax return line number references because ED learned from the IRS that some were likely to change. Now that the IRS line numbering issue is resolved, ED announced the availability of a two-page document, the "Tax Line Reference Guide," which contains the final 2005 IRS tax line numbers that match the *Worksheet* questions with missing tax references. The Tax Line Reference Guide can be downloaded from ED's Web site immediately and used in conjunction with the previously distributed *FAFSA on the Web Worksheet*. For your convenience, the guide is [attached](#) to this issue of *Educational Loan Notes*.

Reference [Electronic Announcement](#) dated November 22, 2005.

FY 2004 COHORT DEFAULT RATE CALCULATIONS

One of the primary functions of the National Student Loan Data System (NSLDS) is the computation of school Cohort Default Rates (CDRs) for the Federal Family Education Loan Program (FFELP) and the Federal Direct Loan Program (FDLP). Every year schools that participate in FFELP or FDLP are evaluated to determine the percentage of their borrowers who entered repayment during the federal fiscal year and who then defaulted before the end of the next federal fiscal year. Under the electronic CDR (eCDR) process, NSLDS delivers CDR notification packages twice a year (draft and official) to domestic schools via their Student Aid Internet Gateway (SAIG) mailboxes. NSLDS will calculate draft and official Fiscal Year 2004 Cohort Default Rates according to the following schedule:

Draft:

Calculation – January 7, 2006

Release – February 13, 2006

Official:

Calculation – July 29, 2006

Release – September 11, 2006

If you have any questions or concerns regarding the eCDR, please contact Dan Tryon at extension 34981, or via email at tryond@michigan.gov.

2005 FALL SCHOOL WORKSHOPS

The Michigan Guaranty Agency (MGA) sponsored Fall School Workshops in Livonia and Kalamazoo on November 15 and 16. The workshops attracted 128 participants that included Financial Aid, Registrar, Academic, and Admissions personnel. Briget Jans, Regional Training Executive, Sallie Mae Education Resource Center, presented valuable information on:

- Policy and Regulatory Updates
- FAFSA Worksheets
- Uncommon Assets Affecting Financial Need
- Family Educational Rights and Privacy Act (FERPA)

The afternoon session featured a presentation on *Developing Your Campus-wide Retention Plan* presented by Tim Culver, Associate Vice President, Retention Counseling, Noel-Levitz. Tim offered a national perspective when developing and implementing successful enrollment management and student success programs. Based on the fact that it is more cost-effective to retain students than to recruit new ones, Tim outlined and discussed the following retention “formula:”

Entering Student Variables	+	Student Motivation Variables	+	Student Integration Variables	=	Student's Likelihood to Persist
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Student variables include grade point average, skill level, and ACT/SAT scores. Student motivation variables include degree of persistence, vision/incentive, and external influences. Student integration variables include providing intellectually stimulating and satisfying learning environments, proper counseling and academic/financial advising, and activities that incorporate the student into the life of the campus and allow input to increase student satisfaction. How your school meets students' expectations, through evaluation, determines the likelihood the student will persist. The discrepancy between student expectation and the reality forms the basis to set institutional priorities for retention planning.

Assessing student satisfaction and staff priorities and creating matrixes for prioritizing action were detailed during Tim's presentation. He outlined the fact that students are customers in some respects, but not all. They are customers in that they are paying for service, advice, assistance in learning, guidance, our knowledge and wisdom, and encouragement. Students are not customers in that they are not always right, they are not buying a diploma, and they have a larger responsibility than just paying money for a product or service.

If you would like a copy of the workshop notebook that includes materials from the student retention session, please contact Stacy Cardwell at extension 36074 or email your request to cardwells@michigan.gov.

LOAN COUNSELING POWERED BY MAPPING YOUR FUTURE

The Michigan Higher Education Student Loan Authority (MHELSA) recently became the first financial aid industry organization to offer a state-specific loan counseling program through Mapping Your Future® (MYF). The MI-LOAN Program Information Guide, now online and available to students receiving state loan funds, was developed using Loan Counseling Powered by MYF.

Loan Counseling Powered by MYF enables guarantors, lenders, guaranty agencies, schools, and other organizations in the industry to offer an additional financial management and default prevention program to those schools and borrowers using state or private loans to help cover the cost of education. “Although loan counseling may not be required in state or private loan programs (as with the federal loan programs), the MI-LOAN Program Information Guide demonstrates Michigan’s interest in schools, borrowers, and society,” said Cathy Mueller, Executive Director of Mapping Your Future. “Borrowers will learn more about the implications of borrowing and their rights and responsibilities through this counseling.”

Many financial aid industry organizations, as well as schools, administer state and private loan programs. These organizations are interested in providing entrance and exit counseling to borrowers, similar to FFELP. This is needed for many reasons:

- The average high school graduate lacks the basic skills necessary to manage their personal financial affairs. Many are unable to balance a checkbook, and most do not understand the basic survival principles pertaining to earning, spending, saving, and investing.ⁱ
- Because of increasing tuition costs and limited financial aid resources, students are facing increasing debt burden. In 1999-2000, 42 percent of all undergraduate students had borrowed through the federal student loan programs, borrowing an average amount of \$9,900.ⁱⁱ The average amount borrowed varies by institution, with students attending two-year public

institutions borrowing less and those attending private four-year institutions or professional and graduate programs borrowing much more.

- Postsecondary schools may not participate in these loan programs if they are “alternative loans” unless the administering agency provides loan counseling. In theory a borrower with limited ability to manage student loan debt is more likely to repay an alternative loan before a federal student loan as they usually have a co-signer on the alternative loan.

Loan counseling assists the private and/or state loan industry, schools, and borrowers in a number of ways:

- State organizations, schools, and private lenders can provide valuable loan repayment information to borrowers, encouraging responsible borrowing and loan management.
- The loan counseling offers another opportunity for the organization to establish a relationship with the student, perhaps developing a long-term customer relationship.
- Postsecondary schools demonstrate their interest in helping students complete their education, understand financial management, and live successful lives.
- Borrowers achieve a greater understanding of personal finance and of the implications and benefits of borrowing for their education.
- Borrowers who would not be able to attend college (or the college of their dreams) due to a lack of funds in traditional financial aid programs would find the access possible through alternative loan programs.

If you are interested in Loan Counseling Powered by MYF, contact CariAnne Behr at carianne@mapping-your-future.org or by telephone at (573) 634-8641.

ⁱwww.jumpstartcoalition.org

ⁱⁱ1999-2000 National Postsecondary Student Aid Study

**2006 PLUS/SLS
VARIABLE INTEREST RATE
“91-DAY TREASURY BILL” METHOD**

ED has released a Dear Partner letter that announces a PLUS/SLS variable interest rate of 6.85 percent (3.10% [the 91-day T-bill average] + 3.75%) for the 2006 calendar year. This rate applies only to those PLUS/SLS promissory notes that provide for a calendar year adjustment based on the “91-day Treasury Bill” method. A copy of ED’s letter is [attached](#) to this issue of *Educational Loan Notes*.

If you have questions regarding this matter, please contact Betty Calloway at extension 39639 or via email at callowayb@michigan.gov.

CCI CLAIM FORM REVISED

The Common Claims Initiative’s Claim Form has been revised by the National Council of Higher Education Loan Programs’ (NCHELP) Default Aversion and Claims Standardization Subcommittee. The revision is a result of the Taxpayer Relief Act which requires lenders and servicers to provide capped interest and origination fees on all loans disbursed on or after September 1, 2004, when filing Notices of Default with the Michigan Guaranty Agency. A copy of the form may be downloaded from NCHELP’s Web site at <http://www.nchelp.org/elibrary/index.cfm?parent=63>.

Field 20b on the new form has been modified to allow lenders and servicers the means to provide separately the amount of unpaid origination fees and unpaid capitalized interest included in the principal balance on the date claimed on the form. The new form also includes clarified definitions of skip tracing activity codes utilized in Section IX.

The implementation date for the new claim form is for claims filed on or after January 1, 2006. The new field 20b must be populated on the form effective for loans disbursed on or after September 1, 2004.

The student loan industry has diligently sought relief from U.S. Department of Treasury regulations implementing the Taxpayer Relief Act, specifically with requirements to use Original Issue Discount to amortize origination fees. While the industry will continue its legislative efforts to achieve relief, the new claim form is a method to support the current regulations. Student loan community partners are encouraged to work together to ensure a smooth transition.

If you have any questions, please contact Tom Montgomery at extension 60613 or via email at montgomeryt@michigan.gov.

**FORM 1098-E REPORTING
CHANGES FOR LENDERS**

The IRS has published the 2005 Publication 970 which provides information on the student loan interest deduction for use in preparing tax returns. You may retrieve a copy of Publication 970 at <http://www.irs.gov/pub/irs-pdf/p970.pdf>. Once at the Web site go to pages 25 - 30 for the student loan interest deduction information.

Lenders and lender servicers are reminded of the following changes that apply to interest due and paid on qualified student loans after December 31, 1997:

1. **Interest paid by a third party may be deductible.** The person legally obligated to make interest payments on a student loan may be able to deduct interest payments on that loan made by someone else (third party). For more information please refer to the section titled *Expenses paid by others*, on page 28 of Publication 970.
2. **Longer period allowed for loan disbursement.** The 60-day safe harbor for disbursing loan proceeds used to pay qualified education expenses has been

(Continued on the next page.)

increased to 90 days before and 90 days after the academic period to which the expenses relate. See ***Reasonable period of time*** on page 26 of Publication 970 for more information.

Lenders and lender servicers are required to file Form 1098-E if they received interest payments of \$600 or more in 2005 on one or more qualified student loans. A statement of interest received (or acceptable substitute) must be provided to each borrower by January 31, 2006, on paper or in an electronic format. For loans made on or after September 1, 2004, lenders and lender servicers are further required to include loan origination fees and capitalized interest in box 1 on Form 1098-E. Other items that can be included as student loan interest deduction are interest paid on revolving lines of credit used for qualified education expenses and interest on refinanced student loans such as Consolidation loans. For more details please refer to page 27 of Publication 970.

To receive additional information and instructions regarding Form 1098-E, go to <http://www.irs.gov/pub/irs-pdf/i1098et.pdf>. If you have any questions, please contact Betty Calloway at extension 39639 or via email at callowayb@michigan.gov.

LENDER LIST UPDATES

School personnel continuing to use their paper copy of MGA's "Participating Lender List" should record the following actions on the list dated April 28, 2005. Please make the appropriate changes in all sections of the list as needed.

To access the most up-to-date lender information and eliminate the need for manual updates, use the electronic version of MGA's "Participating Lender List" available at michigan.gov/mistudentaid. Click on "Financial Aid Administrators," and then on "[Participating Lender List](#)." If you have any questions regarding MGA's "Participating Lender List," please contact Pat Fromm at extension 36076 or via email at frommp@michigan.gov.

Newly Participating Lender

Chela Education Funding, Inc. through Union Bank and Trust as ELT, 833953, c/o Nelnet, Inc., P.O. Box 82596, Lincoln, NE 68501. Telephone: 877-804-3603

No Longer Participating

Oakland Catholic Credit Union, 831978, is no longer participating in FFELP with MGA. Please delete this lender from all sections of the Participating Lender List.

SCHOOL LIST UPDATES

The following changes should be recorded by lenders on MGA's "Active Michigan School List" dated July 6, 2005. If you have any questions regarding these changes, please contact Stacy Cardwell at extension 36074 or via email at cardwells@michigan.gov.

Contact Information Update

Irene's Myomassology Institute, Southfield, 035883-00

Delete Frances Hall. Susan Vert, Financial Aid Director, is the contact. Susan's telephone number is 248-350-1400 and fax number is 248-350-8068. Her email address is susan@imieducation.com.

Ross Medical Education Center, Brighton, 023397-00

Cindy Glubzinski's new email address is fa.brighton@rosslearning.com. Cindy's telephone number is 810-227-0160, extension 2306.



“Q” AND “A”***A Compilation of the Best of Educational Loan Notes Questions and Answers from 2005*****What if I suspect that the aggregate loan limits on NSLDS are incorrect?**

There may be times when you suspect that the total outstanding principal balance on NSLDS is being reported incorrectly. If there are any Consolidation loans included in the aggregate totals, then it would be prudent to collect any Consolidation paperwork that the borrower can provide. It may also be helpful to compare the total outstanding principal balance amount with all of the underlying loan disbursement amounts to distinguish between principal and interest balances. If the school determines that NSLDS figures are in fact incorrect, it would be very important to **keep all documentation showing how the school reached that conclusion.**

For more information see [*Educational Loan Notes “Q” and “A” January 2005.*](#)

What is the difference between a U.S. citizen, national, or an eligible non-citizen?

The term “U.S. citizen” includes citizens of any of the 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Guam, and the Northern Mariana Islands. All U.S. citizens are considered U.S. nationals. However, not all nationals are U.S. citizens. For example, natives of American Samoa and Swain’s Island are not U.S. citizens, but are nationals and are therefore eligible.

Non-citizens are permanent residents who are legally permitted to live and work in the U.S. permanently. Non-citizens include refugees, persons granted asylum by the United States, conditional entrants (discontinued after March 31, 1980), and Cuban-Haitian entrants.

Ineligible non-citizens include temporary residents (those who work and live under the Legalization or Special Agricultural Worker program) and residents with nonimmigrant visas (i.e., those with work visas, students, visitors, and foreign government officials).

For more information see [*Educational Loan Notes “Q” and “A” February 2005.*](#)

What happens if a student borrower has a loan in default, but learns that they were eligible for a deferment?

A lender **MAY** grant a deferment to a borrower whose loan is in default if:

1. The lender receives the necessary documentation indicating the borrower’s deferment eligibility.
2. The lender agrees to repurchase the loan from the Michigan Guaranty Agency.
3. The borrower makes payment arrangements acceptable to the lender that resolves the default prior to the payment of the default claim by the guarantor.

For more information see [*Educational Loan Notes “Q” and “A” March 2005.*](#)

What types of things will the guarantor be looking at when they conduct a program review?

A program review will measure the schools compliance with all applicable requirements related to its FFELP participation and administration as related to:

- The Higher Education Act of 1965, as amended.
- Federal regulations (600, 688, and 682).
- Guarantor-specific policies and procedures.

For more information see [*Educational Loan Notes “Q” and “A” April 2005.*](#)

(Continued on the next page.)

What authority does the Office of the Ombudsman have?

The Office of the Ombudsman recommends solutions but does not have the authority to reverse decisions. The FSA Ombudsman works to bring about changes that will help prevent future problems for other student loan borrowers.

For more information see [*Educational Loan Notes “Q” and “A” May 2005*](#).

What is the *Common Manual* and who wrote it?

The *Common Manual: Unified Student Loan Policy* is an introduction and overview of the Federal Family Education Loan Program. It is designed to help train new financial aid staff and to assist experienced financial aid professionals in finding answers to questions about federal regulations and guarantor policies.

The *Common Manual* was developed in a collaborative environment by participating guarantors. It is continuously updated by a Common Manual Policy Committee under the supervision of the Common Manual Governing Board, both of which are comprised of individuals from all participating guarantors.

For more information see [*Educational Loan Notes “Q” and “A” July 2005*](#).

I understand why a borrower’s discharged loans would make him/her ineligible for additional loans, but what about grants?

In some instances, a discharged loan may affect a borrower’s ability to borrow additional money, but not affect a borrower’s eligibility for additional Pell, Federal Supplemental Educational Opportunity Grant (FSEOG), and Federal Work Study (FWS) funds.

For example, a borrower that has received a discharge due to total and permanent disability is ineligible for additional loan funds until the borrower is able to prove that he or she is able to attend school and work to pay off any newly acquired loan debt. However, that same borrower would be eligible for Pell, FSEOG, and FWS funds without any additional requirements (see Common Manual 5.4.B and Figure 5-1 for the complete list of *Title IV Loan Status on Student Aid Eligibility*).

For more information see [*Educational Loan Notes “Q” and “A” October 2005*](#).

What if a student and parent refuse to fill out the FAFSA but still want a PLUS loan?

According to the 2005-2006 *FSA Application and Verification Guide*, “To be considered for federal student aid, a student must complete a FAFSA **unless he is only applying for a PLUS loan**” (p. 3).

However, this does not preclude a school from ensuring that both the student and borrower meet all of the Title IV borrower eligibility requirements outlined in the *Common Manual*, Section 5. Schools may require a family seeking only a PLUS loan to submit and complete a FAFSA.

Note - many of those requirements will be verified through the credit check process but schools must ensure that records are kept internally to show that PLUS borrowers’ meet all federal eligibility requirements.

For more information see [*Educational Loan Notes “Q” and “A” November 2005*](#).

Have a question you would like to ask? Contact Justin Draeger at extension 31940 or via email at draegerj@michigan.gov to submit your question or to suggest a topic you would like to see discussed in a subsequent issue of *Educational Loan Notes*.

Calendar of Upcoming Events

December

23 MGA Offices Closed
26 MGA Offices Closed
30 MGA Offices Closed

February

20 MGA Offices Closed

January

2 MGA Offices Closed
16 MGA Offices Closed
17 Mapping Your Future Evening Chat
Financial aid and the FAFSA.
7:00 – 8:00 p.m. Eastern
29-Feb. 1 MSFAA Winter Conference
Kalamazoo, Michigan

If you need further information or wish to submit items for the calendar, please contact Jim Peterson, Editor, at extension 36944, or via email at petersonj@michigan.gov.



FEDERAL
STUDENT AID

TAX LINE REFERENCE GUIDE FOR THE 2006-2007 FAFSA ON THE WEB WORKSHEET WWW.FAFSA.ED.GOV

Some **2006-2007 FAFSA on the Web Worksheets** do not have IRS tax line references. If you received a **Worksheet** that did not include the tax references, use this **Guide**, which includes the IRS references, to fully complete the **FAFSA on the Web Worksheet***. **Remember that sections in purple require parental information.**

*You can submit your answers at www.fafsa.ed.gov anytime after January 1, 2006.

PAGE 4 ON WORKSHEET: SECTION 3 – STUDENT FINANCES

What was your (and your spouse's) adjusted gross income for 2005?

Adjusted gross income (AGI) is on IRS Form 1040—line 37; or 1040A—line 21; or 1040EZ—line 4.

What was your (and your spouse's) income tax for 2005?

Your income tax amount is on IRS Form 1040—line 57; 1040A—line 36; or 1040EZ—line 10.

Enter your (and your spouse's) exemptions for 2005. Your exemptions are on IRS Form 1040—line 6d or 1040A—line 6d. For Form 1040EZ, if you answered, "Yes" on line 5, use EZ worksheet line F to determine the number of exemptions (\$3,200 equals one exemption). For Form 1040EZ, if you answered "No" on line 5, enter 01 if you are single, or 02 if you are married.

How much did you (and your spouse) earn from working (wages, salaries, tips, combat pay, etc.) in 2005?

Answer this question whether or not you filed a tax return.

This information may be on your W-2 forms or on IRS Form 1040—line 7 + line 12 + line 18; 1040A—line 7; or 1040EZ—line 1.

PAGE 5 ON WORKSHEET: SECTION 5 – PARENT FINANCES

What was your parents' adjusted gross income for 2005?

Adjusted gross income (AGI) is on IRS Form 1040—line 37; or 1040A—line 21; or 1040EZ—line 4.

How much did your parents earn from working (wages, salaries, tips, combat pay, etc.) in 2005?

Answer this question whether or not your parents filed a tax return.

This information may be on their W-2 forms, or on IRS Form 1040—line 7 + line 12 + line 18; 1040A—line 7; or 1040EZ—line 1.

PAGE 5 ON WORKSHEET: SECTION 6 – STUDENT FAFSA WORKSHEETS A, B AND C

Refer to FAFSA Worksheets A, B, and C Replacement Page on page 2. You can use the Replacement Page instead of the FAFSA Worksheets on the original **FAFSA on the Web Worksheet**. It includes the IRS references needed.

PAGE 7 ON WORKSHEET: SECTION 7 (CONTINUED) – PARENT INFORMATION

What was the amount your parents paid in income tax for 2005?

The income tax amount is on IRS Form 1040—line 57; 1040A—line 36; or 1040EZ—line 10.

Enter your parents' exemptions for 2005. Exemptions are on IRS Form 1040—line 6d or 1040A—line 6d. For Form 1040EZ, if your parent(s) answered, "Yes" on line 5, use EZ worksheet line F to determine the number of exemptions (\$3,200 equals one exemption). For Form 1040EZ, if your parent(s) answered "No" on line 5 enter 01 if he or she is single, or 02 if he or she is married.

PAGE 7 ON WORKSHEET: SECTION 7 (CONTINUED) – PARENT FAFSA WORKSHEETS A, B AND C

Refer to FAFSA Worksheets A, B, and C Replacement Page on page 2. You can use the Replacement Page instead of the FAFSA Worksheets on the original **FAFSA on the Web Worksheet**. It includes the IRS references needed.

REPLACEMENT PAGE -- FAFSA Worksheets - Calendar Year 2005

These worksheets are solely for completing the FAFSA Worksheet questions for the student and for the student's parents.
The **2006-2007 FAFSA on the Web Worksheet** that you previously received did not contain IRS tax line references.
You may use this page instead of the FAFSA Worksheets included on page 8 of your original **FAFSA on the Web Worksheet**.

FAFSA Worksheet A - Report Annual Amounts

Student/Spouse		Parents	
\$	Earned income credit from IRS Form 1040—line 66a; 1040A—line 41a; 1040EZ—line 8a.	\$	
\$	Additional child tax credit from IRS Form 1040—line 68 or 1040A—line 42.	\$	
\$	Welfare benefits, including Temporary Assistance for Needy Families (TANF). Don't include food stamps or subsidized housing.	\$	
\$	Social Security benefits received, for all household members as reported in student's household size (or parents' household size), that were not taxed (such as SSI). Report benefits paid to parents in the Parents' column, and benefits paid directly to student in the student/spouse column.	\$	
\$	-----Enter in Worksheet A question Page 5; Section 6	Enter in Worksheet A question----- Page 7; Section 7	\$

FAFSA Worksheet B - Report Annual Amounts

Student/Spouse		Parents	
\$	Payments to tax-deferred pension and savings plans (paid directly or withheld from earnings), including, but not limited to, amounts reported on the W-2 Form in Boxes 12a through 12d, codes D, E, F, G, H, and S.	\$	
\$	IRA deductions and payments to self-employed SEP, SIMPLE, and Keogh and other qualified plans from IRS Form 1040—line 28 + line 32 or 1040A—line 17	\$	
\$	Child support you received for all children. Do not include foster care or adoption payments.	\$	
\$	Tax exempt interest income from IRS Form 1040—line 8b or 1040A—line 8b	\$	
\$	Foreign income exclusion from IRS Form 2555—line 43 or 2555EZ—line 18	\$	
\$	Untaxed portions of IRA distributions from IRS Form 1040—lines (15a minus 15b) or 1040A—lines (11a minus 11b). Exclude rollovers. If negative, enter a zero here.	\$	
\$	Untaxed portions of pensions from IRS Form 1040—lines (16a minus 16b) or 1040A—lines (12a minus 12b). Exclude rollovers. If negative, enter a zero here.	\$	
\$	Credit for federal tax on special fuels from IRS Form 4136—line 15—nonfarmers only	\$	
\$	Housing, food, and other living allowances paid to members of the military, clergy, and others (including cash payments and cash value of benefits).	\$	
\$	Veterans' noneducation benefits such as Disability, Death Pension, or Dependency & Indemnity Compensation (DIC), and/or VA Educational Work-Study allowances	\$	
\$	Other untaxed income not reported elsewhere on Worksheets A and B, such as workers' compensation, untaxed portions of railroad retirement benefits, Black Lung Benefits, disability, etc. Tax filers only: report combat pay not included in AGI. Don't include student aid, Workforce Investment Act educational benefits, combat pay if you are not a tax filer, or benefits from flexible spending arrangements, e.g., cafeteria plans.	\$	
\$	Money received, or paid on your behalf (e.g., bills), not reported elsewhere on this form.	XXXXXXXXXXXX	
\$	-----Enter in Worksheet B question Page 5; Section 6	Enter in Worksheet B question----- Page 7; Section 7	\$

FAFSA Worksheet C - Report Annual Amounts

Student/Spouse		Parents	
\$	Education credits (Hope and Lifetime Learning tax credits) from IRS Form 1040—line 50 or 1040A—line 31	\$	
\$	Child support you paid because of divorce or separation or as a result of a legal requirement. Do not include support for children in your (or your parents') household.	\$	
\$	Taxable earnings from need-based employment programs, such as Federal Work-Study and need-based employment portions of fellowships and assistantships.	\$	
\$	Student grant and scholarship aid reported to the IRS in your (or your parents') adjusted gross income. Includes AmeriCorps benefits (awards, living allowances, and interest accrual payments), as well as grant or scholarship portions of fellowships and assistantships.	\$	
\$	-----Enter in Worksheet C question Page 5; Section 6	Enter in Worksheet C question----- Page 7; Section 7	\$



START HERE GO FURTHER

FEDERAL STUDENT AID

December 13, 2005

Subject: PLUS/SLS Variable Interest Rate for 2006 – “91-day Treasury Bill” Method

Dear Partner:

Due to the wording of the promissory notes, some loans are subject to a calendar-year adjustment of the variable interest rate, based on the “91-day Treasury Bill” method that existed in statute [section 427A(c)(4)] prior to enactment of the Higher Education Technical Amendments Act of 1987 (Pub. L. 100-50). The rate is equal to the “average of the 91-day Treasury Bills auctioned during the 12-month period ending November 30” plus 3.75 percent, not to exceed 12 percent.

Accordingly, we have determined that the variable interest rate for **calendar year 2006** is **6.85** percent [3.10% (the 91-day T-bill average) + 3.75%].

Please note that this rate applies only to PLUS/SLS promissory notes that provide for a calendar year adjustment based on the “91-day Treasury Bill” method.

Accounting Division
Chief Financial Office

Attachment

AUCTION DATE	BOND EQUIVALENT RATE
2004 12/6	2.253
12/13	2.243
12/20	2.223
12/27	2.269
2005 1/3	2.320
1/10	2.376
1/18	2.407
1/24	2.366
1/31	2.525
2/7	2.530
2/14	2.592
2/22	2.669
2/28	2.772
3/7	2.767
3/14	2.792
3/21	2.859
3/28	2.839
4/4	2.792
4/11	2.767
4/18	2.864
4/25	2.941
5/2	2.931
5/9	2.911
5/16	2.859
5/23	2.957

2004 (continued)	
5/31	2.998
6/6	3.029
6/13	3.039
6/20	3.029
6/27	3.147
7/5	3.214
7/11	3.204
7/18	3.292
7/25	3.420
8/1	3.477
8/8	3.539
8/15	3.549
8/22	3.539
8/29	3.575
9/6	3.513
9/12	3.529
9/19	3.575
9/26	3.518
10/3	3.606
10/11	3.714
10/17	3.875
10/24	3.942
10/31	3.983
11/7	3.963
11/14	4.004
11/21	4.034
11/28	3.994
TOTAL	161.125
AVERAGE: 3.10	